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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

August 15, 2002

Via Hand Delivery

Marlene H. Dortch, Secretary  
Federal Communications Commission  
The Portals  
445 - 12th Street, SW  
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation by Sage Telecom, Inc.  
CC Docket Nos. 01 - 338, 96-98 and 98-147

Dear Ms. Dortch:

Pursuant to Sections 1.1206(b)(1) and (2) of the Commission's Rules we hereby submit, on behalf of Sage Telecom, Inc. ("Sage"), in the above-captioned docketed proceedings, this notice of an oral ex parte presentation made on August 14, 2002 to Christopher Libertelli, Legal Advisor to Chairman Powell of the Federal Communications Commission. The presentation was made by myself, and Gary Nuttall, Vice President and Chief Technical Officer of Sage Telecom, Inc. A set of talking points was distributed during the meeting; a copy is attached to this notice.

Pursuant to Sections 1.1206(b)(1) and (2) of the Commission's Rules, we submit an original and one (1) copy of this oral ex parte notification and attached talking points for inclusion in the public record of the above-referenced proceedings. Please direct any questions regarding this matter to the undersigned.

Respectfully submitted,

Heather Burnett Gold  
Principal  
The KDW Group LLC

Encl:

cc: Christopher Libertelli

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# **Competition In The Mass Market**

CC Docket Nos. 01-338, 96-98 and 98-147

FCC Ex Parte

Gary P. Nuttall  
VP, Chief Technical Officer

# Who Is Sage?



- UNE-P based competitor founded in 1996.
- Turned its back on the “build it and they will come” strategy.
- Began service in Texas in 1998.
- Now serves throughout the old SBC service territory.

# Who Is Sage?



- Has been profitable for the last two years.
- Has no debt.
- Raised \$10M for start up expenses, but has since funded its growth entirely from internally generated cash flow.
- Privately held.
- Revenue doubled in 2001 from 2000.

# Customers of Sage



- Customers are overwhelmingly residential (93%) and primarily located in zone 2 and 3 service areas (over 80%).
- Currently serves over 312,000 single lines.
- Has customers in all five historical SBC states, Texas, Oklahoma, Kansas, Missouri and Arkansas.

# Sage's Customer Value



- Provides package of local, Id and caller-id services priced 15% to 20% below SBC's plans.
- Markets primarily through direct mail.
- Heavily invested in back office systems for customer services and trouble reporting:
  - EDI Interface for 98% of Orders
  - Online Trouble Tickets
  - Real Time CC Processing
  - Automated System to Reduce Customer Time and Errors
  - Automated Customer Notification Systems for Conversions & IT.

# Customers Of Sage - TX



- Sage has customers in over 70% of the counties in Texas.
- These customers are widely distributed and not concentrated in urban areas.
- Over 30% of Sage's residential customers live in counties with population densities of less than 100 people per square mile. Over 90% in areas of less than 500 people per square mile.
- Competition would not exist for these customers without wide scale availability of UNE-P.

# Customers Of Sage - TX

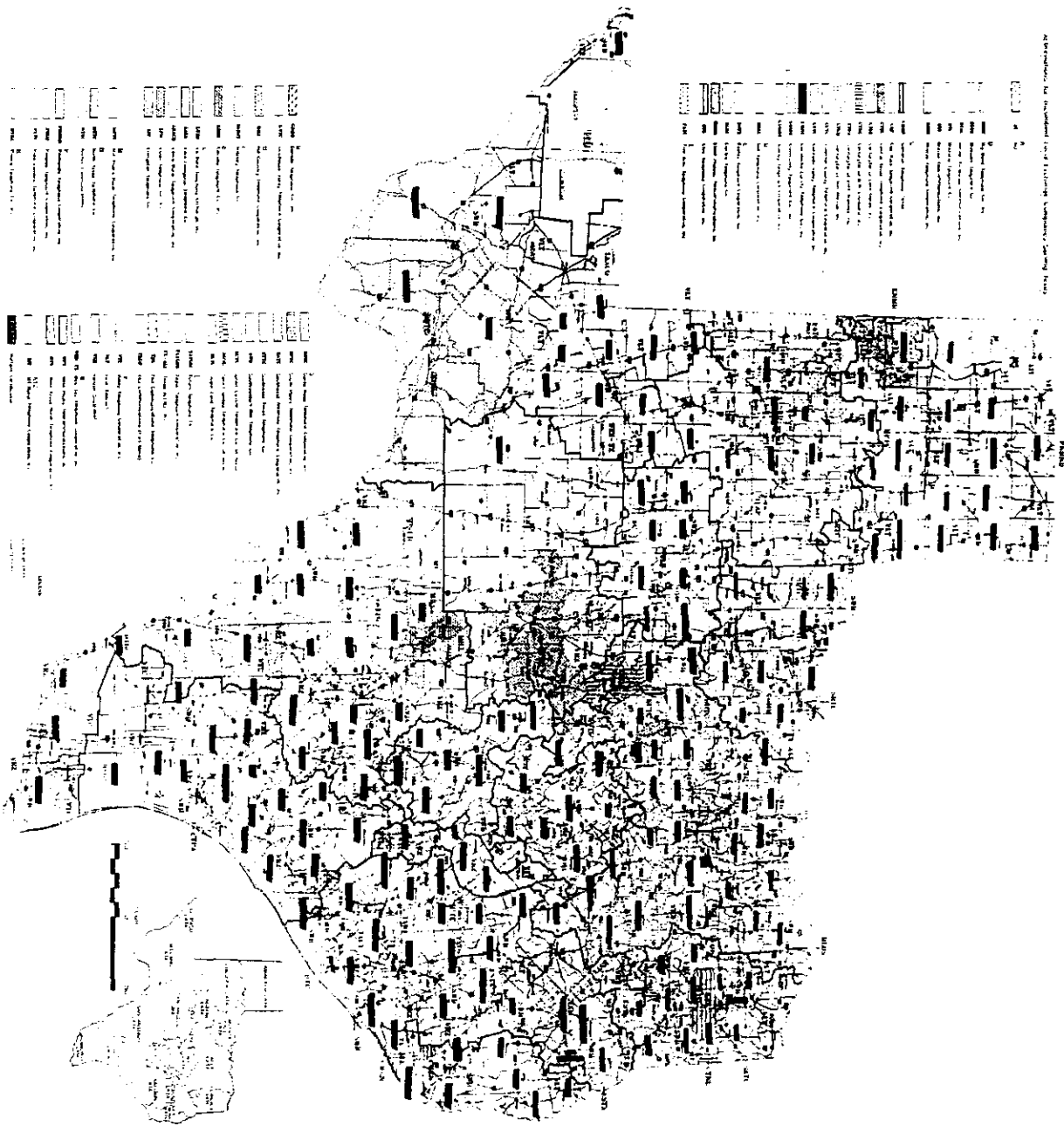
Distribution of Residential Customers



Population Density per Square Mile	# of Counties	Number of Lines	% Total Sage Res. lines
<10	44	6,919	3.0%
≤10 < 25	43	11,647	5.5
≤25 < 50	37	20,637	9.7
≤50 < 100	27	25,606	12.1
≤100 < 500	30	102,590	48.4
≤500 < 2600	7	44,920	21.2
Total	188	211,819	99.9



# Texas Service Distribution



# UNE Needs



- To continue to serve its 300,000+ customers, Sage needs access to the full panoply of UNEs offered as a bundle.
  - Loops
  - Switching
  - Interoffice transport
  - OSS
  - OS/DA

# Triennial Review Issues



- Sage Telecom would be impaired in providing services to the residential market if the current UNEs at TELRIC pricing were not continued.
- Texas PUC has been model for encouraging competition for mass market providers.
  - ULS and OS/DA as UNEs on an unrestricted basis.
  - UNE-P carriers such as Sage can get USF.
- FCC must not undermine state actions that have created choice in the mass market.

# Requirements for Serving the Mass Market



- Without access to UNE-P, competitors would literally need to collocate in 1000s of end offices.
- Millions of unbundled loops would have to be transferred to competitors manually.
- The cost, time and unreliability entailed would forever preclude competition in the mass market.

# What Sage Needs



- Access to Unbundled Local Loops:
  - Essential bottleneck facilities
  - Self provision of loop plant, particularly for the mass market, may never be economic.
  - Hot Cut issues define impairment
    - integrity
    - cost
    - reliability
    - capacity constraints -- how many loops can be processed at any given time? (In Texas between 01/01/01 and 01/07/01, 1,062,233 UNE-P lines provisioned versus 94,446 UNE-L.)

# What Sage Needs



- Access to Unbundled Local Switching:
  - Fortunately for Sage, TPUC requires ULS without restriction, enabling it to truly serve mass market.
  - Current federal restrictions impair competition in the mass market
    - ubiquity -- market requires that Sage be able to serve same geographic area as ILEC.
    - cost, timeliness, and impact on network operations.



# What Sage Needs

- Access to Unbundled Shared Interoffice Transport:
  - Mass market cannot justify dedicated transport -- service territory and customer concentrations are too geographically dispersed.
  - Non-ILEC providers concentrate in central business district while Sage's markets are in outlying regions where there are no substitutes for ILEC facilities.



# What Sage Needs

- Access to Unbundled OS/DA:
  - FCC based its removal of OS/DA from list of UNEs on requirement of customized routing from ILEC.
  - Lack of customized routing from the ILEC precludes competitive options and mandates continued availability as a UNE
  - SBC's proposal to use either FGC or DS1 level transport facilities from each customer's served end office constitutes impairment to providers of residential services.
- Texas PUC has therefore determined that unbundled OS/DA must be offered as a UNE under FCC guidelines found in UNE Remand Order.



# What Should the FCC Do?



- After six years of legal wrangling , FCC finally has clear authority to promote competition for **all consumers**.
- Without maintenance, and indeed expansion, of its existing rules with respect to UNE-P availability, the FCC is preventing robust competition for the mass market on a nationwide basis.
- The FCC must affirm the delivery of competition by all means outlined in TA96 and allow states to determine best course for their consumers.